Clubs and Charities Series
IR65

Inland Revenue

Giving to charity by individuals

We produce a wide range of leaflets, booklets and Helpsheets, each designed to explain different aspects of your tax or National Insurance in plain English, and to assist with the completion of tax returns. Most of them are free, and most are also available in Welsh.

Some you might find useful are

IR64	Giving to charity by businesses
IR178	Giving shares and securities to charity
Helpsheet IR295	Relief for gifts and similar transactions
CGT1	Capital gains tax. An introduction
P/PG/1	Payroll Giving - a guide for employers
P/PG/2	Payroll Giving - a guide for employees

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask at your local Inland Revenue office or Enquiry Centre.

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect from us. It also tells you the steps you can take if you want to make any comments on the service you receive, or complain about the way your tax affairs have been handled.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or National Insurance Contributions Office. Addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday, and some are also open outside these hours. Social Security Offices, your library or Citizens' Advice Bureau may also have copies of our leaflets.

You can also get most of our leaflets by

- calling our Orderline on **0845 9000 404** between 8.00am and 10.00pm, seven days a week (except Christmas Day)
- fax on **0845 9000 604**
- e-mail on **saorderline.ir@gtnet.gov.uk**
- writing to **PO Box 37, St Austell, Cornwall, PL25 5YN.**

Many leaflets are also available on the Internet at **www.inlandrevenue.gov.uk**

When our offices are closed, you can get general advice on Self Assessment by calling our SA Helpline, in the evenings or at weekends, on **0845 9000 444.**

Helpline and Orderline calls are charged at local rates.

If you are thinking of making a gift to charity, this booklet shows you how changes which came into effect from 6 April 2000 make tax-effective giving easier.

You can get tax relief on gifts to UK charities if you give

- under Gift Aid (pages 2 to 8)
- through a Payroll Giving scheme, run by your employer (pages 9-11), or
- by making a gift of shares or securities (pages 12-13).

This is only a brief guide. If you would like to know anything else, please ask any Inland Revenue Enquiry Centre or Tax Office. The notes on the inside front cover tell you how to find your nearest office and when it is open, or you can contact our Helpline numbers shown below.

For people in England, Wales and Northern Ireland		**For people in Scotland**	
Inland Revenue (Charities) St John's House Merton Road Bootle Merseyside L69 9BB		***Inland Revenue (Charities)*** Meldrum House 15 Drumsheugh Gardens Edinburgh EH3 7UL	
Tel:	**Gift Aid** 0151 472 6056/6038/6055 **Payroll Giving** 0151 472 6029/6053 **Gifts of shares/securities** 0151 472 6043/6046	Tel:	**All enquiries** 0131 777 4040
Fax:	0151 472 6268/6060	Fax:	0131 777 4045

Gift Aid

If you pay tax, Gift Aid is a scheme by which you can give a sum of money to charity and the charity can reclaim from the Inland Revenue basic rate tax on your gift. That increases the value of the gift you make to the charity. For example, if you give £10 using Gift Aid in the tax year 2000/01, that gift is worth £12.82 to the charity.

You can make payments by cash, cheque, postal order, direct debit, standing order, debit or credit card or even in a foreign currency (including the euro).

Subject to a few rules, you can give any amount, large or small, regular or one-off, and the charity can reclaim the tax.

If you are a higher rate taxpayer, you can claim relief on the difference between the basic rate and higher rate of tax.

If you do not pay tax, you should **not** use Gift Aid.

How does my gift qualify for Gift Aid?

You must

- pay at least as much tax as the charities will reclaim on your gifts in the tax year in which you make them (tax credits on dividend income will count towards the tax paid). The tax year runs from 6 April in one year to 5 April in the next. See below.
- make a declaration to the charity that you want your gift to be treated as a Gift Aid donation (see page 4)
- not receive excessive benefits in return for your gift (see page 5).

Have I paid sufficient tax?

When you give money to a charity under Gift Aid, the charity will reclaim basic rate tax on that money. You must therefore pay an amount of tax in that tax year at least equal to the tax the charities will reclaim. That tax can be income tax or capital gains tax at any rate. Even if you only pay tax at the 10% starting rate, that tax can cover the tax the charity reclaims on the gift.

You can calculate the amount of tax the charity recovers by simply multiplying the amount of your gift by

$$\frac{\text{the basic rate of income tax}}{\text{100 minus the basic rate}}$$

With the basic rate at 22%, the charity reclaims 22/78ths of your gift.

Example

During the tax year you give a total of £400 to various charities.

Under Gift Aid, we treat this sum as a gift made net of basic rate tax (i.e. after tax has been taken off at the basic rate).

With the basic rate at 22%, the charities reclaim £112.82 (£400 x 22/78) and your gross gift is worth £512.82 (£400 + £112.82) to them.

If you have paid less tax than £112.82, you should not make the donation under Gift Aid. You should simply give the money to the charity and not sign the Gift Aid declaration. If you do sign the declaration, so that the charity recovers tax on the donation, you may have to pay any excess to the Revenue.

If you are a starting rate (10%) or basic rate (22%) taxpayer and you have paid tax (income or capital gains) at least equal to the £112.82 claimed by the charity, there is nothing further for you to pay.

What if I am a higher rate taxpayer?

The charity reclaims tax on your gift only at the basic rate, even if you are a higher rate payer. If you are a higher rate taxpayer, you can claim the difference (18% in 2000/01) between the higher rate of tax of 40% and the basic rate of tax of 22% in your Self Assessment return.

So, in the example above, you may reclaim higher rate relief of £92.30 (£512.82 @ 18%) on your gross donation of £512.82.

Can I count tax paid on my dividend income?

Yes. Tax credits on dividend income can be used to cover tax reclaimed by the charity.

What about tax deducted from my savings?

If tax is deducted from bank or building society interest you receive, you can use that to cover the tax on the gift, provided you have not reclaimed it. If you have reclaimed that tax, then you must not use it to cover the tax on your gift.

Why do I need to give a declaration?

The declaration is the charity's authority to reclaim tax from the Inland Revenue on your gift. By giving the declaration, you are confirming that you understand this.

How do I make a declaration?

In writing or orally. Usually, the charity will provide a written declaration form.

All you need to do is

- enter your name and address
- enter the name of the charity
- make clear whether the declaration covers just this gift or others as well (already made or to be made later)
- make clear that you want the gift or gifts to be within the Gift Aid scheme.

The charity will often complete some, or all, of the details for you. You then just complete any remaining details and send the form to the charity.

You can give a written declaration to a charity by post, fax, or e-mail.

You can also make a declaration by telephone or in person. In this case, the charity will take a note of your details, as above, and send you a written record. All you need do is check that the details are correct.

Can I withdraw a declaration?

If, for any reason, you decide that your gift should not be within Gift Aid - perhaps you realise that you will not pay enough tax to cover the tax reclaimed by the charity - then you have 30 days from the date of the written record sent to you after making an oral declaration, to tell the charity and withdraw it. Your withdrawal will cancel the declaration with effect from the date the declaration was made. If you make a written declaration your cancellation will only take effect from the date you notify the charity.

Do I have to make a declaration with every gift?

No. You can specify in one declaration as many gifts for whatever period you wish - for example, it can cover gifts you might already have made to a particular charity since 6 April 2000 or it can cover the gifts you make in the future.

What if I no longer want my gifts to be within Gift Aid?

If you wish to stop your donations or if you think that your gifts should no longer be within Gift Aid because you no longer pay sufficient tax to cover the tax that the charity reclaims, you can cancel your declaration at any time. The cancellation will take effect from the time the charity receives your letter.

Can I get any benefits in return for my gift?

Some charities, particularly those which have membership schemes, like to acknowledge your donation with some small gift in return, such as a book. That is fine as long as whatever the charity gives you (or anyone connected with you, such as a relative) in return for your donation is within the limits below.

You can receive benefits up to certain limits in each tax year. The maximum value of the benefits you can receive in return for your donation to a particular charity are as follows.

Amount of donation	**Value of benefits**
£0 - 100	25% of the donation
£101 – 1,000	£25
£1,001 – 10,000	2.5% of the donation
Over £10,000	£250

The total benefits you receive from one charity in the same tax year must not exceed £250.

If you receive benefits which exceed the above figures, the donations will not be within Gift Aid. That means that the charity will not be able to reclaim basic rate tax and you will not be able to claim any higher rate relief on your gift.

Can I pay my membership subscriptions through Gift Aid?

You can pay membership subscriptions to a charity through Gift Aid, provided any membership benefits you receive do not exceed the limits above. However, you can disregard free or reduced entry to view heritage property or wildlife, the preservation of which is the charity's main aim.

Can I use Gift Aid when I buy things from a charity?

No. You can use Gift Aid only for outright gifts to charity. You must not use Gift Aid for payments to buy goods or services – for example, Christmas cards or other goods from a charity shop.

Can I pay my children's educational fees under Gift Aid

No. A child's or student's fees at a school or college which is a charity cannot be donated under Gift Aid. This is because, whether paid by a parent or any other person, the payment would be made for services and not as an outright gift to a charity.

Other Gift Aid issues

What about money paid under my existing deed of covenant?

If you had a covenant in existence at 5 April 2000, you can continue to make the payments due under that deed of covenant, without completing a Gift Aid declaration, until that deed expires. The charity will claim tax back under the Gift Aid scheme. If you make additional gifts, above your commitment under the deed, you must give the charity a declaration to cover those gifts if you want it to be able to recover the tax on them.

What should I do when my deed expires?

You can bring your regular payments to charity within the Gift Aid scheme, simply by making a declaration. You do not need to execute a further deed of covenant, but can set up a standing order. If you prefer to execute a further deed of covenant, you will also need to make a declaration to enable the charity to reclaim tax.

Can I use Gift Aid to pay the proceeds of fund-raising events to charity?

If you have simply collected money from other people, such as on a flag day, you have not given the money yourself, and the other people have not made a declaration to the charity that they are taxpayers, so the payment is not made under Gift Aid. However, if you have been sponsored for an event, and each sponsor has signed a Gift Aid declaration, then the charity can recover the tax on the amounts covered by declarations. Charities may produce sponsorship forms for this.

Does a gift I make jointly with someone else qualify for Gift Aid?

Yes, but you must tell the charity how much is from each of you. You will both need to give declarations if the whole amount is to qualify.

If I make a loan to a charity and write it off later, can that count as a Gift Aid payment?

No. Gifts must take the form of payment of a sum of money to qualify for relief under Gift Aid.

If I give the charity money to buy something from me, does that qualify for Gift Aid?

No. Gifts linked to a purchase from you (or someone connected with you) do not qualify for relief.

I already give to charity through Payroll Giving. Can I use Gift Aid as well?

Yes, but not on donations given under the Payroll Giving scheme (see page 9). You get tax relief only once on each type of gift you make.

Can I use charity vouchers to make Gift Aid donations?

Some organisations, which are charities themselves, offer charity accounts and provide you with a charity card or charity "cheque book" of vouchers so that you can give directly to the charities of your choice. In this case, you give your money to the organisation issuing the charity card or vouchers. They will ask you for a declaration and will reclaim basic rate tax on your gift. The value of your charity account or the vouchers issued to you will include the tax reclaimed.

Is there any restriction on the number of charities I can give to?

No. You can give to as many charities as you like.

Can I get relief for a gift to a foreign charity?

No. Gift Aid applies only to gifts to charities established in the UK, but many foreign charities are established in the UK through branches.

Can I make a Gift Aid payment to a UK charity if I do not live in the UK?

In certain circumstances. You may do so if you are a Crown employee serving overseas (typically as a serving member of the armed forces, or a diplomat). You can also use Gift Aid if you are not a UK resident but you make your gift out of income or gains charged to UK tax.

Can trustees make payments under Gift Aid out of a trust?

No. Gift Aid is for gifts by individuals and companies only.

Payroll Giving

What is Payroll Giving?

It's a simple way for you to give regularly to charity from your pay and get tax relief on your gifts. The Government is adding a further 10 per cent to all such donations for three years from April 2000.

Does my employer have to offer a Payroll Giving scheme?

No. But if your employer doesn't run a scheme, you might want to ask if he would be willing to start one. Your employer can find out more about running a scheme by calling the number at the front of this leaflet.

Can all employees join in Payroll Giving?

Yes, provided you are an employee or pensioner and your employer deducts Pay As You Earn tax from your pay or pension.

How much or how little can I give?

There are no limits on how much or how little you can give. It is entirely up to you.

How does Payroll Giving work?

You authorise your employer to deduct your gift from your pay. Every month your employer pays it over to a Payroll Giving agency approved by the Inland Revenue. The agency then distributes the money to the charity or charities of your choice. Some agencies can provide you with a charity card or cheque book so that you can give directly to any charity whenever you want to.

How do I get tax relief?

Because your employer deducts your gift from your pay or pension before Pay As You Earn tax is worked out, you pay tax only on the balance. This means that you get your tax relief immediately at your highest rate of tax. (The amount you pay in National Insurance contributions is not affected.)

Example

Basic rate taxpayer	
You authorise a monthly deduction of	£10.00
You save income tax at 22%	£2.20
Net cost to you	£7.80
Higher rate taxpayer	
You authorise a monthly deduction of	£10.00
You save income tax at 40%	£4.00
Net cost to you	£6.00
Charity	
Charity receives	£10.00
Plus 10 per cent Government supplement (until April 2003)	£1.00
Total	£11.00

Can I give to any charity?

Yes, you can give to any UK charity and you may give to more than one if you wish. You can nominate a large, national charity or a smaller, local one. You can nominate your church, village hall, Parent Teacher Association or Scout group, etc, providing they are charities.

Will my employer have to know which charity I want to support?

No, you can keep your choice confidential if you wish. The Payroll Giving agency will provide you with a charity nomination form which you can complete and return direct to the agency. (Alternatively, you may prefer to use the charity card or cheque book option described above.)

Can I change the charities I wish to support?

Yes, by simply telling the Payroll Giving agency.

Can I stop giving?

Yes, at any time. Simply tell your employer's payroll department.

Can I ask for a refund of my donations?

No, once your employer has deducted a gift from your pay, it must go to charity.

Will the Payroll Giving agency deduct a handling charge?

The agency is a charity in its own right. It may deduct a small fee – usually no more than 4 per cent or 35p per donation, whichever is the greater - to meet administration costs. Some employers will pay the agency's charges so that the full amount of your gift can go to your chosen charity.

Will this affect the other gifts I make to charity?

No, you can make any other gifts you want to – for example, under Gift Aid.

Is more information available?

Yes, there is the P/PG/2 'Payroll Giving - a guide for employees' and the P/PG/1 'Payroll Giving - a guide for employers' available from the Inland Revenue. These give more information about the scheme and can be obtained by calling the number at the front of this leaflet. The guide for employers contains a list of all the approved Payroll Giving agencies. It also contains a list of promotional fundraising organisations which will help employers set up and run a Payroll Giving scheme.

Gifts of shares and securities

As well as giving money through Gift Aid and Payroll Giving, you can also get income tax relief for gifts to charity of certain shares and securities. You get this relief in addition to the relief for gifts to charity of shares, securities and other assets when calculating capital gains (see page 14).

When does the tax relief apply?

You can claim this relief if you give, or sell at less than market value, any qualifying investments to a charity.

What is a qualifying investment?

The following investments qualify for the tax relief

- shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market
- shares or securities listed or dealt in on any overseas recognised stock exchange
- units in an authorised unit trust (AUT)
- shares in a UK open-ended investment company (OEIC)
- holdings in certain foreign collective investment schemes (foreign equivalents of AUTs and OEICs).

If in doubt, Inland Revenue (Charities) can tell you whether your shares or securities will qualify (see the telephone numbers on page 1).

How do I calculate and claim the relief?

You deduct the amount from your income for the tax year in which the gift takes place.

The amount you can deduct is

- the market value of the shares or securities at the date of the gift, **plus**
- any incidental costs of transferring the shares (such as broker's fees or stamp duty), **less**
- any disposal proceeds or other money or the value of any other benefits you, or a person connected with you (such as a relative), receive in consequence of your giving or selling the shares to the charity.

You can claim relief, at your highest rate of tax, on your Self Assessment return. If you do not usually receive a tax return, you should write to your Tax Office and let them know about your gift.

If you decide to give some shares to charity, our leaflet IR178 'Giving shares & securities to charity' will tell you more about what you need to do and how to calculate and claim the tax relief.

Further information

Inheritance tax

Outright gifts and bequests to UK charities are completely free of inheritance tax.

Capital gains tax

You are not liable to capital gains tax when you make a gift of assets, such as land or stocks and shares, to charity, even if the asset is worth more when you donate it than when you acquired it.

Our leaflet CGT1 'Capital gains tax. An introduction' gives you more details about capital gains tax.

Contact with the Tax Office

This leaflet does not cover every point. If you have any questions, the staff at your local Inland Revenue Enquiry Centre or Tax Office will be happy to answer them. They can also give you the other leaflets listed on the inside front cover.

Our service commitment to you

The Inland Revenue and Customs & Excise are committed to serving your needs well by

acting fairly and impartially

We

- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide

- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

providing good quality service

We aim to

- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

taking responsibility for our service

- We publish annually our customer service aims and achievements.
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

These notes are for guidance only and reflect the position
at the time of writing. They do not affect any right of appeal.

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